RAILROAD RATES INCREASE

Arguments of the Railroad Companies Presented to Board

The Canadian Pacific Railway, the Grand Trunk, the Grand Trunk Pacific and the Canadian Northern, have submitted their replies to the government on the appeal against increased passenger rates. The Railway Commission had authorized a general increase of 15 per cent. Against this decision there was an appeal to the Governor-in-Council by the province of Manitoba, the Winnipeg Board of Trade, the United Farmers of Ontario, the Western Retail Lumbermen's Association, the Canadian Credit Men's Trust Association, and the Canadian Council of Agriculture. After the hearing of argument, the cabinet adjourned the hearing till March 1. At the same time it was announced that the increase would be suspended till March 15. The appeal against the increase was supported by a number of other organizations.

All the railway companies ask that the appeal shall be dismissed. The Canadian Pacific Railway takes up the allegation that the increase would impose an additional burden of $40,000,000 a year on the people of Canada, and that of this, $20,000,000 would go to the Canadian Pacific Railway. The Canadian Pacific Railway, in replying, said: "The most careful estimate made by the traffic, operating and financial officers of the railway is that, had the rates became effective on the date fixed by the order of the Board of Railway Commissioners, the increase in gross revenue to the Canadian Pacific Railway during the calendar year 1918, based upon the tonnage of 1917, would be approximately $13,000,000."

The estimated increase is made up as follows: Estimated freight increase, $11,446,000; passenger traffic manager estimates that by ignoring British Columbia local business, military, coolies and interline will be $2,500,000; total, $13,946,000. If the board's order had been effective on February 1, the 11 months would have equalled $13,016,000. If the rates are made applicable from March 15, the increase this year will be $12,622,000.

"It must not be forgotten," the Canadian Pacific Railway memorandum proceeds, "that this increase is based entirely upon the continuance of the gross business of the company at the high level of 1917, when the company's gross earnings were the largest in its history."

Due to Low Capitalization.

The company's surpluses are due entirely to its low capitalization and not to excessive earnings. The position of the company is such that its revenues do not reflect the actual return on its capital investment, due to the fact that large amounts have been invested in cash in its properties, which are not represented by outstanding securities.

The memo adds that cash investment in the Canadian Pacific Railway exceeds $800,000,000. The par value of bonds, debenture stock, preference stock, common stock and equipment obligations is given as $570,000,000, leaving $230,000,000 invested in cash, not represented by securities of any kind. Net earnings of the company for the calendar year 1917 are declared to be about $46,000,000, or 5¾ per cent. on cash invested. "At the present time," the memo continues, "the return on the amount invested is less than the actual value of money in the open market.

"The petitioners suggest the taking over as a war measure by the government of the organization and financial control of the railways as a fighting unit under one system.

"It is difficult to characterize the suggestion in moderate terms. Even if the facts were as the petitioners state them to be the solution would amount to confiscation and destruction of the property, credit and organization of the Canadian Pacific Railway Company.

Would not Mean Efficiency.

"The petitioners assume that under government administration or control, more efficiency could be developed and more service received from the property of the Canadian Pacific Railway than under its present administration. With proper deference to the views of the adherents of government ownership and operation, it is contended that neither theory or experience justifies such an expectation. The suggestion made would not bring about co-ordination, co-operation and efficiency, but would be a temporary seizure by the government of the property and assets of the shareholders of the Canadian Pacific Railway in order that money belonging to them might be devoted to the maintenance and financial assistance of the unproductive railways to which the country has fallen heir."

The memo adds that there is nothing in the war measures act to authorize any such step.

The memoranda of the Grand Trunk, the Grand Trunk Pacific and the Canadian Northern take up in turn the points advanced by the petitioners and argue that there should be no interference with the ruling of the Dominion Railway Board.

SASKATCHEWAN COMPANIES ACT

Some minor amendments have been made to the companies act of Saskatchewan. Incorporation may now be refused to any company whose name or part of whose name includes any of the following words: "Imperial," "Crown," "Kings," "Queens," "Empire," "Royal," "Dominion," "Saskatchewan," or words of similar import. In future building and contracting companies and agencies will be liable to a tax on their authorized capital, similar to any mercantile company.

A penalty is now provided to be enforced against any company which fails to make returns, giving certain particulars as to their business, which are called for under this act. The penalty is $5 per day for every day during which the default continues. An alteration in the schedule now provides that the annual meeting of a company shall take place not more than eighteen months after the last annual meeting.

NORTHWESTERN LIFE ASSURANCE COMPANY

A satisfactory statement was presented at the recent annual meeting of the Northwestern Life Assurance Company. The company's assets, which amount to $78,542, show an increase of $36,747, or 90 per cent., during the year. Occasionally the younger life insurance companies include in their statement of assets stock notes and balances owing by shareholders, omitting the paid-up capital from the liabilities. Some of the companies reporting to the Dominion insurance department include the total of their Victory bond purchases in their assets while showing the balance to be paid on the liabilities side. Had this company followed these practices in the preparation of the present report, total assets of $286,634 would have been shown, and a surplus to policyholders of $128,402. The company has preferred the more conservative method.

Despite the fact that the company wrote more than $500,000 of business last year, it was possible to increase the surplus by over $3,000. This company has reached, comparatively early in its career, the point at which it is earning surplus. The total life assurance premium income was $30,282, while total expenses of management, including all commissions to agents, represented only $17,251. So far as we know, this is the first Canadian company to show an excess of premium income over management expenses in the second year of operation. The total revenue was $42,623.

"These results have been accomplished," said an officer of the company to *The Monetary Times*, "in the face of the fact that we are putting up reserves greatly in excess of the requirements of the Dominion Insurance Act. There is only one other Canadian company that places all its reserves on the same basis as ours, but, as we treat all whole life and twenty payment policies as endowments maturing at age 85, the reserve which we would provide on such policies would be greater than theirs, thus justifying our claim that our reserves are on the highest basis yet reached by any Canadian life company." Not a single death claim has as yet been reported. Mr. H. R. S. McCabe, who has had considerable experience in the life insurance business, is the managing director of the company. Mr. F. O. Maber is secretary and Mr. W. J. Bright, treasurer; Mr. W. R. Milton, president, and Mr. J. F. C. Menlove, vice-president. Dr. J. A. Gunn, M.D., and Dr. W. A. Clark, M.D., constitute the medical board.

The company wrote $200,000 of new business in connection with its offer to give purchasers ten years to pay for their Victory bonds. This enabled many people to purchase bonds for amounts much larger than would have been otherwise possible. Judging by its financial statement, the company is making good progress.